

Mrs. Thelma Allgood, Owner
Allgood Health Care, Inc.
Post Office Box 15197
Augusta, Georgia 30919

Re: AC# 3-OBG-J6 – Orangeburg Nursing Home

Dear Mrs. Allgood:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**ORANGEBURG NURSING HOME
ORANGEBURG, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1997
AC# 3-OBG-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1997	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS OCTOBER 1, 1997 THROUGH SEPTEMBER 30, 1998	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1996	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 22, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Orangeburg Nursing Home, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Orangeburg Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Orangeburg Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 22, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

ORANGEBURG NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1997
AC# 3-OBG-J6

	<u>10/01/97-</u> <u>09/30/98</u>
Interim reimbursement rate (1)	\$75.82
Adjusted reimbursement rate	<u>75.49</u>
Decrease in reimbursement rate	\$ <u><u>.33</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

ORANGEBURG NURSING HOME

Computation of Adjusted Reimbursement Rate

For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-OBG-J6

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.89	\$44.95	
Dietary		9.21	9.74	
Laundry/Housekeeping/Maint.		<u>7.26</u>	<u>7.72</u>	
Subtotal	\$ <u>4.37</u>	49.36	62.41	\$49.36
Administration & Med. Rec.	\$ <u>2.23</u>	<u>7.22</u>	<u>9.45</u>	<u>7.22</u>
Subtotal		56.58	\$ <u>71.86</u>	56.58
<u>Costs Not Subject to Standards:</u>				
Utilities		2.23		2.23
Special Services		-		-
Medical Supplies & Oxy.		2.10		2.10
Taxes and Insurance		1.75		1.75
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>62.66</u>		62.66
Inflation Factor (4.40%)				2.76
Cost of Capital				7.82
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.19
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(4.81)
Minimum Wage Add On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>75.49</u>

ORANGEBURG NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,034,708	\$ -	\$ 6,745 (5) 432 (5)	\$1,027,531
Dietary	288,585	-	840 (5)	287,745
Laundry	57,676	-	314 (5)	57,362
Housekeeping	107,828	5,966 (3)	566 (5)	113,228
Maintenance	53,368	2,909 (3)	3 (4) 168 (5)	56,106
Administration & Medical Records	237,326	3,183 (3)	14,144 (4) 763 (5)	225,602
Utilities	74,627	4,068 (3) 1,826 (4)	10,696 (1)	69,825
Special Services	-	-	-	-
Medical Supplies & Oxygen	65,760	-	-	65,760
Taxes & Insurance	51,244	2,672 (3) 836 (4)	-	54,752
Legal Fees	-	-	-	-

ORANGEBURG NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	240,251	13,865 (3) 3,351 (7)	8,887 (2) 3,586 (4) 794 (6)	244,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	2,211,373	38,676	47,938	2,202,111
Ancillary	25,432	-	-	25,432
Non-Allowable	382,697	10,696 (1) 8,887 (2) 15,071 (4) 9,828 (5) 794 (6)	32,663 (3) 3,351 (7)	391,959
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,619,502</u>	<u>\$83,952</u>	<u>\$83,952</u>	<u>\$2,619,502</u>
TOTAL PATIENT DAYS	<u>*31,242</u>	<u>-</u>	<u>-</u>	<u>31,242</u>

*Adjusted to 97% occupancy

TOTAL BEDS 88

ORANGEBURG NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Utilities	\$ 10,696	\$ 10,696
	To remove prior period expense and expense recorded twice HIM-15-1, Sections 2302.1 and 2304		
2	Other Equity	110,493	
	Nonallowable	8,887	
	Fixed Assets	9,327	
	Accumulated Depreciation		119,820
	Cost of Capital		8,887
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Housekeeping	5,966	
	Maintenance	2,909	
	Administration	3,183	
	Utilities	4,068	
	Taxes, Insurance & Licenses	2,672	
	Cost of Capital	13,865	
	Nonallowable		32,663
	To reverse DH&HS step-down Adjustment HIM-15-1, Section 2328 State Plan, Attachment 4.19D		
4	Nonallowable	15,071	
	Taxes, Insurance & Licenses	836	
	Utilities	1,826	
	Maintenance		3
	Administration		14,144
	Cost of Capital		3,586
	To adjust home office cost to allowable HIM-15-1, Section 2150.2A State Plan, Attachment 4.19D		

ORANGEBURG NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	9,828	
	Nursing		6,745
	Restorative		432
	Dietary		840
	Laundry		314
	Housekeeping		566
	Maintenance		168
	Administration		763
	To properly state employee health insurance HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Accumulated Depreciation	17,462	
	Nonallowable	794	
	COC - Depreciation Expense		794
	Other Equity		17,462
	To adjust accumulated depreciation and depreciation expense to allowable State Plan, Attachment 4.19D		
7	Cost of Capital	3,351	
	Nonallowable		3,351
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	<u>MEMORANDUM ENTRY</u>		
	To change the number of old beds/new beds from 73/15 to 74/14		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$221,234</u>	<u>\$221,234</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ORANGEBURG NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>74</u>	<u>14</u>	
Deemed Asset Value	2,443,628	462,308	
Improvements Since 1981	503,247	5,424	
Accumulated Depreciation at 9/30/96	<u>(811,993)</u>	<u>(106,599)</u>	
Deemed Depreciated Value	2,134,882	361,133	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	149,442	25,279	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	149,442	25,279	
Depreciation Expense	57,632	11,847	
Amortization Expense	-	-	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	207,074	37,126	\$244,200
Total Patient Days (Minimum 97% Occupancy)	<u>26,272</u>	<u>4,970</u>	<u>31,242</u>
Cost of Capital Per Diem	\$ <u><u>7.88</u></u>	\$ <u><u>7.47</u></u>	\$ <u><u>7.82</u></u>

ORANGEBURG NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-OBG-J6

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$4.81	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>8.80</u>	\$ <u>7.47</u>
Reimbursable Cost of Capital Per Diem		*\$8.59
Cost of Capital Per Diem		<u>7.82</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>
*(\$8.80 x 26,272 + 37,126) ÷ 31,242		